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No. 90- _____

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1990

PEER INTERNATIONAL CORPORATION,
On Behalf Of Itself And All Others Similarly Situated,

Petitioner,

v.

PAUSA RECORDS, INC. and JACK NEWMAN,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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Question Presented

Does the music industry's longstanding practice by which music publishers and record companies agree that recordings of the publishers' copyrighted compositions will be made and distributed under the compulsory license of the Copyright Act with certain variations for the convenience of the record companies, transform the compulsory license into a "private agreement" and deprive the publishers of their statutory infringement remedies for failures to comply with the compulsory license?

Parties to the Proceedings and Rule 29.1 Listing

The parties to this proceeding are listed in the caption. Petitioner Peer International Corporation's only corporate parent is Brazilian Music IMC, and petitioner has no corporate subsidiaries which are not wholly owned.

In addition to petitioner, 232 music publishers are members of the class it represents. A list of the class members, compiled from a computer print-out filed with the District Court and excluding publishers which opted out of the class, is reprinted as Appendix F. A second list of 96 publishers which documented claims and therefore have a financial interest in the outcome of this case is reprinted as Appendix G.

Petitioner is filing a motion, concurrent with its filing of this petition, asking this Court to relieve it of the burden and expense of providing a Rule 29.1 listing for the class members.

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Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

Petitioner, Peer International Corporation, representing a class of music copyright owners, asks that a writ of certiorari issue to review the judgment of the Court of Appeals for the Ninth Circuit, entered in this case on July 30, 1990.

Opinions Below

The opinion of the Court of Appeals, reported at 909 F.2d 1332 (9th Cir. 1990), is reprinted as Appendix A. The Memorandum Opinions of the United States District Court for the Central District of California, dated February 8, 1988 and October 12, 1988, are reprinted as Appendices B and C. The judgment of the District Court, entered November 23, 1988, is reprinted as Appendix D. The Order of the Court of Appeals denying rehearing and rehearing en banc, not officially reported, is reprinted as Appendix E.

Jurisdiction

The judgment of the Court of Appeals was entered on July 30, 1990. The timely petition for rehearing and suggestion for rehearing en banc was denied on October 4, 1990. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1).

Statute Involved

The statutory provision herein is section 115 of the Copyright Act of 1976 ("the Act") (17 U.S.C. § 115), which provides in pertinent part as follows:

§ 115. **Scope of exclusive rights in nondramatic musical works; Compulsory license for making and distributing phonorecords**

. . .

(a) Availability and Scope of Compulsory License. —

(1) When phonorecords of a nondramatic musical work have been distributed to the public in the United States under the authority of the copyright owner, any other person may, by complying with the provisions of this section, obtain a compulsory license to make and distribute phonorecords of the work.

. . .

(b) Notice of Intention to Obtain Compulsory License. —

(1) Any person who wishes to obtain a compulsory license under this section shall, before or within thirty days after making, and before distributing any phonorecords of the work, serve notice of intention to do so on the copyright owner. If the registration or other public records of the Copyright Office do not identify the copyright owner and include an address at which notice can be served, it shall be sufficient to file the notice of intention in the Copyright Office.

. . .

(4) Royalty payments shall be made on or before the twentieth day of each month and shall include all royal-

ties for the month next preceding. Each monthly payment shall be made under oath and shall comply with requirements that the Register of Copyrights shall prescribe by regulation. The Register shall also prescribe regulations under which detailed cumulative annual statements of account, certified by a certified public accountant, shall be filed for every compulsory license under this section. The regulations covering both the monthly and the annual statements of account shall prescribe the form, content, and manner of certification with respect to the number of records made and the number of records distributed.

(5) If the copyright owner does not receive the monthly payment and the monthly and annual statements of account when due, the owner may give written notice to the licensee that, unless the default is remedied within thirty days from the date of the notice, the compulsory license will be automatically terminated. Such termination renders either the making or the distribution, or both, of all phonorecords for which the royalty has not been paid, actionable as acts of infringement under section 501 and fully subject to the remedies provided by sections 502 through 506 and 509.

Section 115 of the Act is fully set forth as Appendix H.

Statement of the Case

Petitioner seeks review of a Ninth Circuit decision which would sweep away a fundamental principle of federal copyright jurisprudence on which the recording of copyrighted musical compositions has been premised for decades.

Beginning with the Copyright Act of 1909, Congress has made available a compulsory license to make sound recordings of a copyrighted musical composition once the copyright owner has permitted anyone to make and distribute recordings of that composition. (Section 1(e) of the Copyright Act of 1909, ch. 320, 35 Stat. 1075, 1076; Section 115 of the Copyright Act of 1976, 17 U.S.C. § 115)[1/] In practice, the precise procedures of the compulsory license provision are rarely invoked. Rather, copyright owners and record companies usually enter into written agreements incorporating the compulsory license provisions, including the remedial provisions for failure to pay royalties, but making certain minor variations to ameliorate the burden of the statutory procedures. The objectives of the compulsory license — to avoid monopoly and encourage creativity through multiple recordings of a copyrighted composition — are facilitated by these written variations, which make the compulsory license easier to use.

This salutary situation has rested on a basic premise, consistently endorsed by lower federal courts and leading copyright law commentators: that notwithstanding these variations, the parties' relationship remains governed by the statutory compulsory license and its remedial provisions. The Ninth Circuit rejected this long-standing principle. It held that by agreeing to such written variations the publishers and record company in this case entered into "private agreements" and that consequently, the publishers could no longer avail themselves of the

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1/ The 1976 Copyright Act refers to all forms of physical copies of sound recordings -- including records, tapes and compact discs -- as "phonorecords." *See* 17 U.S.C. § 101. For simplicity, the petition uses the colloquial "records" or "recordings" to refer to phonorecords.

powerful statutory remedies for breach of the compulsory license even though those remedies were expressly incorporated in the agreements. The Ninth Circuit's decision thus casts a shadow over millions of existing written variations of the compulsory license and future arrangements by which musical compositions are made available for sound recordings.

A. Nature of the Case

This is an action for copyright infringement brought by petitioner Peer International Corporation on behalf of a class of music publishers against the respondents Pausa Records, Inc. and Jack Newman, Pausa's Chief Executive.

Petitioner and the members of the class issued licenses, through The Harry Fox Agency, Inc. ("Fox"), permitting Pausa to make and sell recordings of 296 copyrighted musical compositions owned by petitioner and the class. The licenses were on standard forms, long used in the music industry and generally known as written variations of the compulsory licensing provisions of the Copyright Act. These licenses specifically recite the parties' intention to be governed by the compulsory license provisions of Section 115 of the Copyright Act. They state:

> You have advised us, in our capacity as Agent for the Publisher(s) referred to in (B) supra, that you wish to obtain a compulsory license to make and to distribute phonorecords of the copyrighted work referred to in (A) supra, under the compulsory license provision of Section 115 of the Copyright Act.
>
> Upon your doing so, you shall have all the rights which are granted to, and all the obligations which are imposed upon, users of said copyrighted work under the compulsory license provision of the Copyright Act, after phonorecords of the copyrighted work have been distributed to the public in the United States under the authority of the copyright owner by another person . . . .

The licenses then list modifications, which vary the terms of section 115 in the following respects only: first, Pausa was permitted to pay royalties and provide accountings quarterly, rather than monthly, as required by section 115(c)(4); second, Pausa was not required to serve or file the notice of intention described in section 115(b).

In all other ways, the licenses obtained by Pausa incorporated the terms of the statutory license. Most significantly, the written licenses tracked the language of section 115(c)(5), expressly providing the copyright owners with the same remedies available to them under that section if Pausa defaulted on its obligation to account and pay royalties. The licenses provided:

> In the event you fail to account to us and pay royalties as herein provided for, said Publisher(s) or his Agent may give written notice to you that, unless the default is remedied within 30 days from the date of the notice, this compulsory license will be automatically terminated. Such termination shall render either the making or the distribution, or both, of all phonorecords for which royalties have not been paid, actionable as acts of infringement under, and fully subject to the remedies provided by, the Copyright Act ....

An example of the licenses is reprinted as Appendix I.

Beginning in 1980, Pausa repeatedly failed to pay royalties and render statements of account when due. Fox made numerous written demands on Pausa to comply with its obligations. Finally, in accordance with section 115(c)(5) and the express terms of the licenses, Fox, as agent for the publishers, gave Pausa written notice on December 26, 1984 that the compulsory licenses would automatically terminate unless Pausa rendered a statement of account and paid royalties due within thirty days.

Pausa did not remedy its defaults, and the licenses automatically terminated as of December 26, 1984. Pausa nevertheless continued to

manufacture and distribute recordings of some of the copyrighted compositions.

B. Proceedings Below

On December 17, 1985, petitioner filed this action for copyright infringement in the United States District Court for the Central District of California, invoking the District Court's jurisdiction under 28 U.S.C. § 1338(a) over actions for copyright infringement. Petitioner alleged that the termination of the licenses rendered Pausa's sales of records prior to termination without payment of royalties, infringements of the publishers' copyrights on the 296 compositions. Petitioner also alleged that Pausa had willfully infringed the copyrights on certain of the compositions by continuing to manufacture and distribute recordings of those compositions after termination of the compulsory licenses.

On February 8, 1988, the District Court granted summary judgment in favor of the copyright owners as to their claim that Pausa had willfully infringed their copyrights by continuing to manufacture and distribute renditions of 80 of the compositions after receiving notice of the copyright owners' intent to terminate. It awarded the copyright owners the maximum statutory damages of $50,000 for each of these 80 post-termination willful infringements, a total of $4,000,000.

The District Court refused, however, to award the copyright owners statutory damages for sales by Pausa prior to termination for which royalties had not been paid. It stated that "[f]ailure to pay royalties does not constitute an act of infringement."

The copyright owners appealed, arguing that because respondent failed to cure its default in payment of royalties on records made and sold prior to termination, the making and selling of those records without payment of royalties were rendered infringements within the express terms of Section 115(c)(5) and subject to the statutory remedies for infringement.

While finding the copyright owners' construction of section 115(c)(5) "plausible," the Court of Appeals held that the owners were

not entitled to the benefit of that section because they had "negotiated their own licenses which vary from the statutory scheme." Ignoring the parties' express intention to be governed by the statutory compulsory license and its remedial provisions, the Court of Appeals concluded that these licenses were "private license agreements" which authorized the use of the copyrighted compositions so long as the agreements were in effect.

As a consequence, the class was deprived of the statutory remedies for infringement with respect to these sales — remedies which include the option of either actual damages and profits, or statutory damages ranging from $250 to $50,000 per infringement,[2/] and attorney's fees and costs. 17 U.S.C. § 501-505. Instead, the Court observed in a footnote that "a common law action may exist to recover unpaid royalties." 909 F.2d at 1339, n.9. [3/]

Reasons for Granting the Writ

The Ninth Circuit's decision is in direct conflict with Judge Weinfeld's decision in *Joy Music, Inc.* v. *Seeco Records, Inc.*, 166 F. Supp. 549 (S.D.N.Y. 1958), on which music industry practices have long been predicated. It also conflicts with a substantial body of other decisions in the Southern District of New York, which is, with the Central District of California, perhaps one of the two most important venues for music copyright law. Resolution of this conflict is necessary now because of the uncertainty it creates in the everyday conduct of business in the music industry and because of the questions it raises about the millions of virtually identical licenses previously issued on the assumption that they are compulsory licenses, enforceable in federal courts by the federal copyright infringement remedies.

2/ Since this action, the Copyright Act has been amended to increase statutory damages to a range of $500 to $100,000 per infringement. *See* 17 U.S.C. § 504(c).

3/ The Court of Appeals affirmed that portion of the District Court's judgment which assessed damages for willful infringement based on Pausa's manufacture and distribution of the copyrighted compositions after receiving Fox's notice of termination.

Review is also needed because of the importance of the issue to federal copyright policy. The Ninth Circuit's decision creates an anomaly which could not have been intended by the framers of the Copyright Act. By holding that music copyright owners cannot accommodate licensees by agreeing to slight variations in the terms of the compulsory license without losing the benefit of the Act's remedies for copyright infringement, the decision could force owners to insist on strict compliance with the statutory terms. The holding will discourage owners and licensees from negotiating variations from the statutory terms which inure to the benefit of both parties, in favor of an inflexible approach which benefits no one. This result is at odds with the purposes of the compulsory license — to facilitate recordings of copyrighted musical compositions and maximize artistic creativity.

I

REVIEW IS NEEDED TO RESOLVE THE CONFLICT BETWEEN THE NINTH CIRCUIT AND THE FEDERAL DISTRICT COURT DECISIONS ON WHICH THE MUSIC INDUSTRY HAS LONG RELIED.

The Ninth Circuit's decision here is in direct conflict with Judge Weinfeld's decision in *Joy Music, Inc.* v. *Secco Records, Inc.*, 166 F. Supp. 549 (S.D.N.Y. 1958), and a long line of heretofore unchallenged decisions adopting his reasoning. In *Joy Music*, Judge Weinfeld rejected the argument that written variations of the terms of the compulsory license similar to those involved here created a private license agreement enforceable only in state courts. He held that notwithstanding these variations, the parties continued to be governed by a compulsory license, enforceable under federal copyright law. In terms directly at odds with the Ninth Circuit's decision, Judge Weinfeld explained:

> Parties remain free to substitute private licensing agreements for the protections afforded them by section 1(e) of the [1909] Copyright Act, 17 U.S.C.A. § 1(e). Whether they have indeed done so is the question

> presented here. The parties have departed from the exact terms of the statute by varying the accounting period, lowering the royalties for several songs and dispensing with notice requirements. These mutually convenient variations, however, are not sufficient to support the contention that theirs was a private licensing agreement enforceable in state courts only. The letters relied upon by the defendant seem to indicate rather that the parties intended their relationship to be governed by the compulsory license provisions of section 1(e). Absent a clear showing to the contrary, it will not be presumed that this departure from the exact terms of the statute was intended as a waiver of its protection.

166 F. Supp. at 550 (footnotes omitted).

A long line of Southern District of New York cases has reached the same conclusion. *E.g.*, *Shapiro, Bernstein & Co.* v. *Gabor*, 266 F. Supp. 613, 614 (S.D.N.Y. 1966); *Harry Fox Agency, Inc.* v. *Mills Music, Inc.*, 543 F. Supp. 844, 851-52 (1982), *rev'd on other grounds*, 720 F.2d 733 (2d Cir. 1983), *rev'd on other grounds sub nom.*, *Mills Music, Inc.* v. *Snyder*, 469 U.S. 153 (1985); *Dixon* v. *Atlantic Recording Corp.*, 227 U.S.P.Q. (BNA) 559, 560 (S.D.N.Y. 1985); *Essex Music, Inc.* v. *ABKCO Music and Records, Inc.*, 743 F. Supp. 237, 242 (S.D.N.Y. 1990).[4/]

The leading commentaries on federal copyright law concur in this conclusion:

> [N]otwithstanding some minor departure from the terms of a compulsory license, absent a clear showing to the contrary, the parties will be presumed not to intend a waiver of the compulsory license provision, at least for the purpose of maintaining federal jurisdiction.

[4/] There are additional unpublished opinions to the same effect. *See, e.g., Gershwin Publishing Co* v. *Charlie Parker Record Corp.*, No. 63 Civ. 768, slip op. (S.D.N. Y. Feb. 11, 1964) (reprinted as Appendix J). Other federal district courts have simply assumed the proposition withhout discussion., *See, e.g., ABC Music Corp.* v. *Janov*, 186 F. Supp. 443 (S.D. Ca. 1960).

. . .

> [F]ederal jurisdiction has been recognized in an action for failure to pay royalties under the 1909 Act compulsory license provisions of Section 1(e). Even if the parties execute a consensual license departing in minor degree from the requirements of former Section 1(e), and now Section 115, such as varying the accounting period and dispensing with notice requirements, they will nevertheless be presumed to intend their relationship to be governed by the compulsory licensing provisions so as to permit the federal courts to retain jurisdiction in an action for breach of the licensing provisions.

M. Nimmer & D. Nimmer, *Nimmer on Copyright*, § 8.04(I), at 8–79–80; § 12.01(A), at 12–11 (1990) (footnotes omitted).

> Courts have sustained section 1338(a) jurisdiction in one highly specialized contractual context. Where the copyright owner of a musical composition has entered into a mechanical recording license that, though voluntary, is closely patterned after the Act's compulsory licensing provisions, courts have upheld section 1338(a) jurisdiction on the theory that infringement, and not contract breach, was effectively in issue — at least if the parties clearly "intended that their relationship should be governed by the compulsory license provisions of the Copyright Act and not by a private licensing agreement." The highly specialized and standardized contracting practices that have grown up around the mechanical license provisions may justify this exception to the general rule that actions for contract enforcement do not arise under the Copyright Act.

2 Goldstein, *Copyright*, § 13.2.1.1 at 392 (1989) (footnote omitted) (*quoting Shapiro, Bernstein & Co.* v. *Gabor*, 266 F. Supp. 613, 614 (S.D.N.Y. 1966).

This reasoning is consistent with the general principle that it is the intent of the parties which determines whether their relationship is governed by the compulsory license or by private agreement. *Leo Feist, Inc.* v. *American Music Roll Co.*, 251 F. 245, 248–49 (3d Cir. 1918). Under the standard industry form involved here there can be no question about the parties' intention. The form unequivocally states that the licensee is obtaining a compulsory license, and will have all the rights and obligations under the compulsory license provision of Section 115 of the Copyright Act. The form also incorporates the remedial provisions of Section 115(c)(5) of the Act. Indeed, the Ninth Circuit itself acknowledged that "(t)he license agreements constituted written variations of the compulsory licensing provisions of the Copyright Act of 1976, 17 U.S.C. § 115, and expressly incorporated and preserved all statutory rights and remedies provided for copyright infringement." 909 F.2d at 1333.

Petitioner urges the Court to resolve the conflicts between the Ninth Circuit and prior judicial decisions now, and not await the development of a further conflict with a Circuit Court of Appeals. The substantial body of federal district court cases have so long been the unchallenged predicate for business practices in the music industry that there is an immediate need to dispel the uncertainty suddenly injected by the Ninth Circuit's departure from these settled principles.[5/]

5/ In *Edward B. Marks Music Corp.* v. *Foullon*, 171 F.2d 905 (2d Cir. 1949), Judge Learned Hand concluded, on the facts in that case, that the parties intended to be governed by a private agreement, rather than the compulsory license, because they apparently doubted whether the rights they sought to cover were within the compulsory license. Nevertheless, Judge Hand noted that inasmuch as the agreement incorporated the remedial provisions of the 1909 Act's compulsory license, those provisions "became the measure of their relations." 171 F.2d at 908.

Under Judge Hand's approach, it should make no difference in this case whether the written variations are treated as compulsory licenses or as private agreements. Inasmuch as the written variations incorporate verbatim the remedies of section 115 (c) (5) for failure to pay royalties, that should have been the measure of damages even if the written variations were private agreements. Judge Hand's opinion does not address the question of whether there would be federal question jurisdiction to enforce such private agreements, which define the parties' relationship with reference to the federal copy-

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II

REVIEW SHOULD BE GRANTED BECAUSE OF THE IMMEDIATE IMPORTANCE OF THE ISSUES TO THE LICENSING AND RECORDING OF COPYRIGHTED MUSICAL COMPOSITIONS

The written variations of the compulsory license which are the subject of this case is the standard form which has governed relationships between music publishers and record companies for many years.[6]/ From the face of the form it is plain that the parties assumed that they would be governed by the compulsory license and the federal copyright remedies available to enforce it. The Ninth Circuit's decision deprives music publishers of settled expectations which have been reinforced by heretofore unquestioned judicial and scholarly interpretation. In particular, it would deprive publishers of the important federal remedies enacted by Congress to assure compliance with the compulsory license.

(continued)

right statute. Because the parties here so clearly manifested their intent to be governed by the statutory compulsory license, rather than by private agreements, that issue need not be addressed here either. *See also T.B. Harms Co.* v. *Eliscu*, 339 F.2d 823, 828 (2d Cir. 1964) (Friendly, J.) (noting in dicta, with a citation to *Joy Music*, that a suit for statutory royalties for record reproduction "arises under" the Copyright Act), *cert. denied*, 381 U.S. 915 (1965).

6/ Forms virtually identical to the ones used here were introduced into the legislative record during the hearings leading to the adoption of the 1976 Copyright Act. *Copyright Law Revision: Hearings on S. 597 Before the Subcomm. on Patents, Trademarks and Copyrights of the Senate Comm. on the Judiciary*, 90th Cong., 1st Sess. 462-68 (1967) (statement of Thurman Arnold, Special Counsel, RIAA); *Copyright Law Revision: Hearings on H.R. 4347, 5680, 6831, and 6835 before Subcomm. No. 3 of the House of Representatives Comm. on the Judiciary*, 89th Cong., 1st Sess. 746-47 (1965) (Statement of RIAA, App. J); *id.* at 837 (Statement of John D. Glover, Ex. 4). *See also* House Comm. on the Judiciary, 87th Cong., 1st Sess., Copyrights Law Revision, *Report of the Registrar of Copyrights on the General Revision of the U.S. Copyright Law* 33 (Comm. Print 1961) ("In most instances the record companies secure licenses from the publishers, thereby avoiding some of the mechanics of notice and accounting required by the statute for exercise of the compulsory license."); *Recording Industry Ass'n* v. *Copyright Royalty Tribunal*, 662 F.2d 1, 4 (D.C. Cir. 1981) ("[T]the statutory procedures for invoking the license have

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Under Section 115(c)(5), if the licensee does not cure a default in the payment of royalties within 30 days of its receipt of a notice of termination, the licensee becomes liable not just for the royalties it failed to pay, but is subject to infringement remedies for "the making or the distribution, or both, of all phonorecords for which the royalty has not been paid." 17 U.S.C. § 115(c)(5).7/ The effect of the Ninth Circuit's decision is to deny those remedies to most of the license relationships now existing between music publishers and record companies.

As this Court recognized in another copyright case, "a rule of liability which merely takes away the profits from an infringement would offer little discouragement to infringers. It would fall short of an effective sanction for enforcement of the copyright policy. The statutory rule, formulated after long experience, not merely compels restitution of profit and reparation for injury but also is designed to discourage wrongful conduct." *F.W. Woolworth Co.* v. *Contemporary Arts, Inc.*, 344 U.S. 228, 233 (1952). Moreover Congress, only two years ago,

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rarely been used.... Today, the vast majority of contracts for use of copyrighted musical works involve voluntary payment at precisely the statutory rate."); 2 Goldstein, *Copyright*, § 13.2.1.1 at 392 (1989).

7/ The Ninth Circuit found this reading of section 115(c)(5) "plausible". The language of the section leaves no doubt that this is the only possible interpretation. Under section 115(c)(2), "termination renders the making or the distribution . . . of all phonorecords for which the royalty has not been paid actionable as acts of infringement ...." Any distribution after termination is unauthorized and therefore by definition under section 115(b)(2) an infringement, which can not be cured even by the payment of royalties. Hence, the quoted phrase can only have meaning if applied to pre-termination sales made without payment of royalties. As the statute makes clear, the failure to cure that default within the 30-day period "renders" such pre-termination distributions "actionable as acts of infringement." 17 U.S.C. § 115(c)(5).

Moreover, the 1909 Act was similary interpreted to provide federal copyright remedies for failures to cure defaults in the payment of royalties. *Norbay Music, Inc.* v. *King Records, Inc.*, 290 F.2d 617, 620 (2d Cir. 1961). There is no indication that Congress intended to change this result. To the contrary, the legislative history of section 115(c)(5) is clear that Congress intended to strengthen and clarify the remedies available for failure to comply with the compulsory license. *See* H.R. Rep. No. 1476, 94th Cong., 2nd Sess. 111 (1976).

enacted the Berne Convention Implementation Act of 1988, which increased the range of statutory damages from $250 to $50,000 per infringement to $500 to $100,000 per infringement, further emphasizing the deterrent purpose of the infringement remedies. Pub. L. 100-568, § 10(b), 102 Stat. 2853, 2860 (codified at 17 U.S.C. § 504(c)). The infringement remedies of section 115(c)(5) are a powerful deterrent which assures compliance with the compulsory license. The Ninth Circuit's decision, therefore, significantly undercuts the ability of music copyright owners to protect their copyrights.

Moreover, the Ninth Circuit's decision is likely to adversely affect the way in which music publishers and record companies do business in the future. It will induce publishers to insist on punctilious compliance with every aspect of the compulsory license provisions and to refuse to accommodate record companies by relieving them of some of the burdens of those provisions. This is likely to increase the costs and burdens of licensing and recording copyrighted music, without promoting any objective of the compulsory license or federal copyright law. These objectives — "to encourage future creative endeavor and to combat monopolization in the music industry"[8/] — can only be frustrated by the Ninth Circuit's decision, which will make it more difficult to utilize the compulsory license.

Congress, in revising the Copyright Act, was well aware of the industry practice of issuing these written variations of the compulsory license and of the widespread assumption that they did not deprive the publishers of the protection of the compulsory license provisions.[9/]

8/ *Fame Publishing Co.* v. *Alabama Custom Tape, Inc.*, 507 F.2d 667, 670 (5th Cir.), *cert. denied*, 423 U.S. 841 (1975).

9/ *See, e.g., Copyright Law Revision: Hearings Before the Subcomm. on Courts, Civil Liberties and the Administration of Justice of the House Comm. on the Judiciary on H.R. 2223*, 94th Cong., 1st Sess. 1425 (1975) (Statement of John D. Glover, Cambridge Research Institute) ("the administrative and procedural mechanics of the *compulsory* route are cumbersome for all parties, and are only very rarely used") (emphasis in original); *Copyright Law Revision: Hearings on S. 597 Before the Subcomm. on Patents, Trademarks*

(continued)

There is no indication that Congress intended to undermine this practice, the assumption on which it rested or the judicial decisions which confirmed that assumption. Nor is there any conceivable reason in logic or policy why they would have done so.

This Court should review the Ninth Circuit's decision to prevent the wholesale disruption in music industry practice it will likely otherwise produce.

(continued)

and Copyrights of the Senate Comm. on the Judiciary, 90th Cong., 1st Sess. 526 (1967) (Statement of Isabella Marks, Assistant Secretary, Decca Records) (if publishers were to insist on payment on statutory terms, an "intolerable burden" would be put on record producers); House Comm. on the Judiciary, 88th Cong., 2nd *Sess., Copyright Law Revisions Part 3, Preliminary Draft for Revised U.S. Copyright Law and Discussions and Comments on the Draft* 235-36 (Comm. Print 1964) (comment of Harold Orenstein) (standard industry form contemplates that if royalties are not paid, copyright owner can recover statutory penalties).

CONCLUSION

For the reasons stated above, a writ of certiorari should be granted to review the decision of the Court of Appeals for the Ninth Circuit.

Dated January 1991

Respectfully submitted,

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APPENDICES

Appendix A

FOR PUBLICATION

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

PEER INTERNATIONAL CORPORATION, on behalf of itself and all others similarly situated,	:	Nos. 88-6752, 89-55068
Plaintiff-Appellee/ Cross-Appellant,	:	D.C. No. CV-85-8193-RJK
v.	:	
PAUSA RECORDS, INC., and JACK NEWMAN,	:	OPINION
Defendants-Appellants/ Cross-Appellees.	:	

Appeal from the United States District Court
for the Central District of California
Robert J. Kelleher, District Judge, Presiding

Argued and Submitted
March 5, 1990 - Pasadena, California

Filed July 30, 1990

Before: William C. Canby, Jr. and Edward Leavy, Circuit Judges, and William H. Orrick,*/ District Judge.

Opinion by Judge Leavy

*/ Hon. Wiliam H. Orrick, Senior U.S. District Judge for the Northern District of California, sitting by designation.

COUNSEL

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OPINION

LEAVY, Circuit Judge:

This is a class action for copyright infringement brought by Peer International Corp. ("Peer") on behalf of itself and several hundred similarly situated copyright owners against Pausa Records, Inc. ("Pausa") and its principal officer, Jack Newman. The action arises from the defendants' failure to comply with the compulsory licensing provisions of the Copyright Act of 1976, 17 U.S.C. § 115 (1982 & Supp. II 1984). The defendants appeal from the grant of summary judgment in favor of the plaintiffs and the award of $4 million in statutory damages. The plaintiffs cross-appeal from the court's order denying them statutory damages for the defendants' sales of copyrighted works prior to the termination of the compulsory licenses. We affirm.

FACTS AND PROCEEDINGS

Peer brought this action on behalf of itself and several hundred other copyright owners ("class plaintiffs"). Peer and the class plaintiffs, through their common agent, The Harry Fox Agency ("Fox"), issued licenses to defendant Pausa at its request. The licenses entitled Pausa to manufacture, distribute and sell certain copyrighted nondramatic musical compositions. The license agreements constituted written variations of the compulsory licensing provisions of the Copyright Act of 1976, 17 U.S.C. § 115, and expressly incorporated and preserved all statutory rights and remedies provided for copyright infringement.

Beginning in 1980, Pausa repeatedly failed to pay royalties and render statements of account when due as required by the licenses and section 115(c)(4). Fox made numerous written demands on Pausa to comply with its statutory and contractual obligations. In accordance with section 115(c)(5), on December 26, 1984, Fox gave written notice to Pausa that the licenses would automatically terminate unless it rendered a statement of accounts and/or the payment of royalties due within thirty days.

Pausa did not remedy the defaults within the thirty-day period and the licenses automatically terminated as of December 26, 1984. Such termination rendered "either the making or the distribution, or both, if all [copyrighted works] for which the royalty [had] not been paid, actionable as acts of infringement." 17 U.S.C. § 115(c)(5). Pausa nevertheless continued to manufacture and distribute some of the copyrighted musical compositions following the termination.

On December 17, 1985, the plaintiffs filed this action for copyright infringement. On February 8, 1988, the district court granted summary judgment in favor of the plaintiffs. The court found that the defendants knowingly and willfully infringed the plaintiffs' copyrights due to their failure to account for and pay royalties, and their continued manufacture and distribution of those works after receiving the plaintiffs' notice of intent to terminate. The court awarded the plaintiffs the statutory maximum of $50,000 for each "willful" infringement for a total of $4 million in damages based on the eighty incidents wherein Pausa sold or manufactured the copyrighted works after the license termination. The court refused, however, to award statutory "infringement" damages for each sale by Pausa prior to December 26, 1984, for which royalties had not been paid. This timely appeal and cross-appeal followed.

DISCUSSION

I. *APPEAL BY PAUSA*

Pausa argues that summary judgment on the plaintiffs' copyright infringement claim was improper because genuine issues of material fact exist as to: (1) whether the letter of December 26, 1984, was an effective termination or revocation of the licenses; (2) if so, whether the infringements were willful; and (3) the amount of statutory damages to be awarded.

A. License Revocation

The district court found that the letter of December 26, 1984, constituted a revocation of the licenses. Pausa argues there is a question of fact as to whether, in light of the previous dealings between the parties and their dealings after December 26, 1984, the letter was intended to be and should reasonably be construed as a revocation of the licenses.

Pausa first argues that a genuine issue of fact exists as to Fox's intent to revoke because beginning in 1980 and continuing until December 26, 1984, Fox made approximately twenty demands upon Pausa, four of which Pausa claims "purported to revoke licenses issued to" them. Despite these demands and revocations, Fox continued to accept payments and issue licenses to Pausa.

Contrary to Pausa's assertions, only one letter dated September 14, 1982, actually states that it constitutes formal notice of license termination pursuant to section 115(c). Newman Declaration, Exh. 4. The other three letters written between August 1, 1980, and July 30, 1982, merely threaten legal action if overdue royalties and accountings were not forthcoming. Newman Declaration, Exhs. 1–3. We are not told which licenses the September revocation applied to or whether Pausa complied with its statutory obligations in response to the notice of revocation. We find this single letter of revocation insufficient to create a triable issue of fact as to the plaintiffs' intention to revoke the licenses at issue a full two years later in December 1984.

Pausa also argues that a genuine issue of fact as to Fox's intent to revoke exists because Fox continued to issue licenses to Pausa after the revocation on December 26, 1984. Pausa admits, however, that none of the licenses issued after December 26, 1984, were also licenses subject to the December revocation.[1]/ Because the plaintiffs' copyrighted works are governed by the compulsory licensing provisions of section 115(c), the plaintiffs also could not prevent the defendants from obtaining licenses to use other copyrighted works not subject to the revocation.[2]/ Therefore, the fact that Fox issued other licenses after December 1984 does not raise a genuine issue of fact as to the plaintiffs' intent to revoke the licenses specified in the December letter.

Pausa next contends that the plaintiffs' "acceptance" of a $5,000 payment on account thirty days after December 26, 1984, raises a question of fact as to their intent to terminate. The evidence establishes that Fox deposited the $5,000 in an escrow account on or near July 10, 1985, pending an explanation from Pausa as the payment was unaccompanied by a royalty statement. Pausa argues Fox's failure to return the check raises an inference it "intended to retain the money which of course, was inconsistent with its present claim that the licenses had been revoked."

The district court held, and we agree, that this evidence is insufficient to create a genuine issue of fact for trial.

> [D]efendants to not dispute that, although they made sporadic payments, they never complied with the royalty and accounting requirements of the [Copyright Act]. Moreover, defendants do not dispute that plain-

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1/ The district court held "[o]nly a new license for a copyrighted work used on the particular phonorecords to which the revocations applied would place liability for infrignemenbt based on the termination of the licenses at issue.... None of the new licenses issued to Pausa fall into this category."

2/ Once the owner of a copyright in a nondramatic musical work distributes copies of that work to the public, any other person may obtain a license to make and distribute that work from the U.S. Copyright Office simply by giving the copyright owner notice of this intention to do so. *See* 17 U.S.C. § 115 (a) - (b).

> tiffs placed such payments in escrow and at all times continued to demand compliance with the statutory provisions. Defendants submit no evidence that would even suggest plaintiffs intended to waive their rights to sue for infringement.

Pausa also fails to show the $5,000 represented payment on royalties due under the licenses terminated in December 1984, as opposed to payment on other nonrevoked licenses. Consequently, the payment, even if accepted, is insufficient to raise a triable issue of fact as to Fox's intent to revoke.

In another effort to show that the parties accorded no special significance to the December letter, Pausa claims that by letter dated March 27, 1985, Fox again threatened revocation of the licenses unless payment was received by April 12, 1985. Newman Declaration, Exh. 8. The March letter was not sent by Fox, however, but by Prager and Fenton, an accounting firm engaged by Fox to examine Pausa's records to determine the amount of royalties overdue for the period between July 1, 1983, and June 30, 1986. Having assessed a deficiency of $129,015.00, the letter advises that Fox would allow additional time no later than April 12, 1985, for Pausa to furnish a meaningful response and downpayment. The letter concludes that if this deadline was not met, Fox "intended[ed] to discuss with the involved publishers revocation of licenses as well as infringement proceedings."

Once again, there is no evidence this threatened revocation covered the same licenses identified in the December letter. Under these circumstances, such evidence is insufficient to create a triable issue of fact with respect to the plaintiffs' intent to revoke the licenses. We find that the December letter effectively revoked the licenses at issue.

B. Willful infringement

Section 504(c)(1) of the Copyright Act provides that the copyright owner may elect to recover, instead of actual damages and profits, an award of statutory damages "in a sum of not less than $250 or

more than $10,000" for each infringement. The provision governing willful infringement says:

> In a case where the copyright owner sustains theburden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $50,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court [in] its discretion may reduce the award of statutory damages to a sum of not less than $100.

17 U.S.C. § 504(c)(2) (1982)(footnote omitted).

The district court held that the plaintiffs met their burden of establishing willful infringement. The court defined "willful" as "knowledge that the defendants' conduct constituted and act of infringement."[3/] The court found the infringements were willful because of "Mr. Newman's [deposition] testimony that defendants received the December 26, 1984 notice of termination, failed to account for and pay royalties, yet nevertheless continued to manufacture and distribute phonorecords." The court found that Mr. Newman's contradictory declaration that it was not Pausa's intention to infringe upon the plaintiffs' copyrights was insufficient to raise a material issue of fact as to willfulness. *See Radobenko v. Automated Equip. Corp.*, 520 F.2d 540, 544 (9th Cir. 1975) (party cannot raise a *genuine* issue of fact by an affidavit contradicting his prior deposition testimony).

Pausa claims it is entitled to a full evidentiary hearing to determine whether its conduct was willful in light of the fact the parties dis-

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3/ Neither the Copyright Act or its legislative history defines "willful." However, "[i]t seems clear that as here used 'willfully" means with knowledge that the defendant's conduct constitutes copyright infringement." 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 1404 [B], at 14-40.2-.3 (1989).

agreed over the applicable royalty rates. This argument is not persuasive. The royalty dispute Pausa refers to did not surface until well after the plaintiffs had terminated the licenses. The defendants cannot claim that their failure to pay royalties results from a dispute over the applicable royalty rate where they failed, in the first instance, to submit statements of account identifying the royalties due.

The defendants also argue that summary judgment was improper in light of their belief Fox did not intend the December letter to be a revocation. To refute evidence of willful infringement, Pausa must not only establish its good faith belief in the innocence of its conduct, it must also show that it was reasonable in holding such a belief. See 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 14.04[B], at 14–40.3 (1989). The December letter was unambiguous in its statement of intent to terminate the licenses if payment was not received within thirty days. Pausa, a corporation engaged in the business of manufacturing and distributing copyrighted works, does not claim ignorance as to its legal obligations. Fox's conduct following Pausa's receipt of that letter cannot reasonably be construed as a withdrawal of its intent to terminate the licenses. We find that Pausa's conduct in ignoring the revocation was unreasonable, and that its further use of the plaintiffs' copyrighted works thereafter was willful as a matter of law within the meaning of section 504(c)(2).

C. Amount of Statutory Damages

Assuming the infringements were willful, Pausa argues there is a genuine issue of fact as to the proper amount of statutory damages to be awarded. Pausa claims the $4 million award, or eighty violations at $50,000 apiece, represents an abuse of discretion because it bears no relationship to the plaintiffs' actual damages.

Under the 1976 Copyright Act, the plaintiff may elect to recover either actual or statutory damages. *See* 17 U.S.C. § 504(c)(1). If statutory damages are elected, "[t]he court has wide discretion in determining the amount of statutory damages to be awarded, constrained only by the specified maxima and minima." *Harvis v. Emus Records Corp.*,

734 F.2d 1329, 1335 (9th Cir. 1984). The maximum award for willful infringements is $50,000,[4/] and the minimum $250, per infringement. *See* 17 U.S.C. § 504(c)(2). In measuring the damages, the court is to be guided by

> "what is just in the particular case, considering the nature of the copyright, the circumstances of the infringement and the like. . . . but with the express qualification that in every case the assessment must be within the prescribed [maximum or minimum]. Within these limitations the court's discretion and sense of justice are controlling . . . ."

F.W. Woolworth Co. v. Contemporary Arts, Inc., 344 U.S. 228, 232 (1952) (quoting *L.A. Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100, 106–07 (1919)). The award will be overturned only for abuse of discretion. *Harris*, 734 F.2d at 1335.

The district court in this case awarded the maximum damages possible, or $50,000 per violation, for each of the eighty willful infringements. Pausa argues the statutory damage provisions "should not be converted into a windfall where, as a practical matter, the plaintiff has suffered only nominal damages." *Doehrer v. Caldwell*, 107 U.S.P.Q. 391, 393 (N.D. Ill. 1980) (nonwillful infringements). It is clear, however, that a plaintiff may recover statutory damages "whether or not there is adequate evidence of the actual damages suffered by the plaintiff or of the profits reaped by defendant." *Harris*, 734 F.2d at 1335. The Supreme Court has stated that "[e]ven for uninjurious and unprofitable invasions of copyright the court may, if it deems it just, impose a liability within [the] statutory limits to sanction and vindicate the statutory policy" of discouraging infringement. *Woolworth Co.*, 344 U.S. at 233.

In affirming the district court's award of the maximum damages permissible in the absence of a specific finding of willfulness ($10,000

[4/] The statutory maximum was increased to $100,000 per infringement as of March 1, 1989. See 17 U.S.C. § 504 (c) (2) (1988).

per infringement), we stated in *Harris* that "[t]he trial court is in a better position than are we to determine appropriate damages." 734 F.2d at 1335. Given the number of willful infringements committed by Pausa, the compulsory nature of the licenses, and the fact Pausa is engaged in the business of selling copyrighted works, we find the court did not abuse its discretion in awarding $4 million in statutory damages.

II. *APPEAL BY PEER AND THE CLASS PLAINTIFFS*

The plaintiffs claim the trial court erred in holding that the defendants' failure to pay royalties before the plaintiffs terminated their compulsory licenses did not constitute infringement where the "defendants did not continue to sell, distribute or otherwise make use of the works . . . after termination of the compulsory licenses." The plaintiffs were only awarded statutory "infringement" damages for those works which the defendants continued to make or sell after receiving the notice of termination.[5/]

The Copyright Act provides "[a]nyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118 . . . is an infringer of the copyright." 17 U.S.C. § 501(a). The owner of a copyright has the exclusive right to reproduce or distribute phonorecords[6/] of the copyrighted work. *Id.* § 106. However, once the owner of a copyright in a nondramatic musical work distributes phonorecords of that work to the public, any other person may obtain a compulsory license from the U.S. Copyright Office to make

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5/ Following summary judgment, the court requested documentation as to each act of infringement. The plaintiffs submitted two lists: Schedule A, which set forth copyrighted works the defendants continued to manufactue or sell after the termination, and Schedule B, which represented works the defendants did not continue to make, sell, or distribute following termination but for which no royalties were paid.

6/ "Phonorecords" are defined broadly as "material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." 17 U.S.C. § 101.

and distribute that work simply by giving the copyright owner notice of his intention to do so. *Id.* §§ 115(a)–(b). In exchange, the copyright owner is entitled to royalties each month at a statutory rate, plus a monthly statement of accounts, for every phonorecord made and distributed by the licensee. *Id.* § 115(c).

The statutory procedures for invoking the license under section 115 are rarely used, however. *See Recording Indus. Ass'n v. Copyright Royalty Tribunal*, 662 F.2d 1, 4 (D.C. Cir. 1981).

> The usual effect of the system is to make the statutory royalty rate a ceiling on the price copyright owners can charge for use of their songs under negotiated contracts: if the owner demands a higher price in voluntary negotiations, the manufacturer can turn to the statutory scheme, but if the owner is willing to accept less than the statutory rate, he is free to do so.

Id. (footnote omitted). The parties in this case negotiated their own licenses using the statutory rate, but with royalty payments due on a quarterly, as opposed to a monthly, basis.

At issue in this action is section 115(c)(5), which provides:

> If the copyright owner does not receive the monthly payment and the monthly and annual statements of account when due, the owner may give written notice to the licensee that, unless the default is remedied within thirty days from the date of the notice, the compulsory license will be automatically terminated. Such termination renders either the making or the distribution; or both, of all phonorecords for which the royalty has not been paid, actionable as acts of infringement under section 501 and fully subject to the remedies provided by sections 502 through 506 and 509.

The plaintiffs argue that any pre-termination manufacture or distribution by the defendants for which no royalty payment was received within the thirty-day period constitute retroactive acts of infringement

within the plain meaning of section 115(c)(5). The plaintiffs identify 216 (Schedule B) "infringements" of this type for which they claim entitlement to at least the statutory minimum of $250 per infringement under Section 504.

The plaintiffs cite to *Norbay Music, Inc. v. King Records, Inc.*, 290 F.2d 617, 620 (2d Cir. 1961), in which the court held a failure to cure defaults in the payment of royalties constituted an act of infringement under the 1909 Copyright Act. Under the 1909 Act, the copyright owner could sue for royalties under 17 U.S.C. § 1(e)[7]/ or for infringement under 17 U.S.C. § 101(e)[8]/ The court in Norbay stated:

> Section 101(e) clearly treats the term "infringement" as embracing "unauthorized manufacture" occurring after the copyright proprietor has licensed mechanical reproduction. Since a once-recorded composition is available to all third parties "upon the payment" of a two-cent royalty, manufacture at this point can be

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[7]/ Section 1 (e) provied:

> [W]henever the owner of a musical copyright has used or permitted . . . the use of the copyrighted work . . . any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of two cents . . . . .
>
> In case of the failure of such manufacturer to pay to the copyright proprietor within thirty days after demand in writing the full sum of royalties due . . . the court may, in its discretion, enter judgment therein for any sum in addition over the amount found to be due as royalty . . . not exceeding three times such amount.

Copyright Act of 1909, ch. 320, 35 Stat. 1075, 1076 (current version at 17 U.S.C. § 115 (1988)).

[8]/ Section 101 (e) provided:

> Whenever the owner of a musical copyright has used or permitted the use of the copyrighted work . . . then in case of infringement of such copyright by the unauthorized manufacture, use, or sale . . . [the copyright owner may obtain an injunction and] shall be entitled to recover in lieu of profits and damages a royalty as provided [by section 1 (e)].

Copyright Act of 1909, ch. 320, 35 Stat. 1075, 1081-82 (amended 1976).

> "unauthorized" only in that the third party fails to make the required payments. Thus § 101(e), in treating "unauthorized manufacture" as infringement, treats nonpayment of the statutory royalty as an act of infringement.

290 F.2d at 620.

The Copyright Act has changed significantly since it was interpreted in *Norbay*. While comparable to section 1(e) of the 1909 Act, section 115 of the 1976 Act is different both in terms of its language and the remedies provided. Most importantly, section 115 did not retain the "upon the payment" language of section 1(e) which the court found so persuasive in *Norbay*. Therefore, *Norbay's* interpretation of the 1909 Act to the effect that the failure to pay royalties in itself constitutes infringement is not conclusive here.

While the plaintiffs' construction of the 1976 Act is plausible, we find it inapplicable where, as here, the parties have negotiated their own licenses which vary from the statutory scheme. Generally, "anyone who is authorized by the copyright owner to use the copyrighted work in a way specified in the statute . . . is not an infringer of the copyright with respect to such use." *Sony Corp. v. Universal City Studies, Inc.*, 464 U.S. 417, 433 (1984). In this case, the private license agreements granted Pausa the right to sell and distribute the plaintiffs' copyrighted works. Pausa's use was thus authorized for as long as the agreements remained in effect. Accordingly, Pausa's use of the copyrighted works up until the date of termination, December 26, 1984, was not an act of infringement entitling the plaintiffs to statutory damages.[9/]

The plaintiffs are not entitled to additional statutory damages as the failure to pay royalties under a private license agreement is not an act of infringement within the meaning of section 115(c)(5).

AFFIRMED.

[10/] A common law action may exist to recover unpaid royalties. *See Nimmer on Copyright*, *supra* note 3, § 10.15 [A], at 10-112-13 (failure to pay royalties under the license agreement gives rise to breach of contract or rescission action).

Appendix B

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

PEER INTERNATIONAL CORP., on behalf of itself and all others similarly situated,	)	No. CV 85-8193-RJK (Px)
Plaintiffs,	)	MEMORANDUM OF DECISION AND ORDER
v.	)	
PAUSA RECORDS, INC., and JACK NEWMAN,	)	
Defendants.	)	

FACTS

This is a class action for copyright infringement. Plaintiff Peer International Corporation ("Peer") is a music publisher that owns copyrights in numerous musical works. On plaintiff's motion, unopposed by defendants, the Court certified the action as a class action under Fed.R.Civ.P. 23(b)(3) on behalf of all similarly situated copyright owners who, through their agent The Harry Fox Agency, Inc., issued a written variation of a compulsory license under 17 U.S.C. § 115 to defendant Pausa Records, Inc., and subsequently terminated the license through The Harry Fox Agency, Inc. for defendants' failure to comply with the terms of the license.

Plaintiffs now move for summary judgment, including an award of statutory damages for willful infringement under 17 U.S.C. § 504(c)(2), attorney's fees and costs, and a permanent injunction.

Having considered all the evidence, documents, pleadings and papers on file and the oral argument of counsel, the Court concludes

the following: (1) plaintiffs are entitled to summary judgment against defendants jointly and severally for willful copyright infringement; (2) plaintiffs have established willfulness for purposes of increasing the maximum statutory damages the Court may award to $50,000.00; (3) plaintiffs must submit a more accurate and detailed list to the Court showing the number of infringements that occurred after defendants received notice of termination on December 24, 1984; (4) the Court will defer its determination of the amount of statutory damages to be awarded until it receives this list; (5) the Court will also defer entering a permanent injunction until that time; and (6) plaintiffs have failed to submit detailed documentation to support an award of attorney's fees.

DISCUSSION

I. Liability for Infringement

A. Liability of Defendant Pausa Records, Inc.

The compulsory license provisions of the Copyright Act are triggered once the copyright owner has publicly distributed a phonorecord of the work. 17 U.S.C. § 115. After that, any other person may "obtain a compulsory license to make and distribute phonorecords of the work." Id. § 115(a)(1).

It is undisputed that Pausa obtained written variations of compulsory licenses from plaintiffs in order to manufacture phonorecords of plaintiffs' works. Section 115 (c) requires the licensee to pay royalties to the copyright owner for every phonerecord made and distributed. Section 115(c)(4) provides that if royalty payments and statements of account are not received when due, the copyright owner may terminate the compulsory license in accordance with the terms of the statute.

> Such termination renders either the making or the distribution or both, of all the phonorecords for which the royalty has not been paid, actionable acts of infringement . . . .

Id. § 115(c)(4).

It is undisputed that Pausa filed to pay royalties and render statements of account when due. It is further undisputed that plaintiffs notified Pausa in writing on December 24, 1984, that the compulsory licenses would terminate unless royalties were accounted for and paid within thirty days from the date of the notice. The defaults were not remedied and, under the terms of the statute, the licenses automatically terminated. Id. Finally, it is undisputed that Pausa continued to manufacture and distribute phonorecords embodying plaintiffs' works after receiving the notice of termination.

Defendants contend that because Pausa continued to obtain new compulsory licenses through The Harry Fox Agency, a question of fact exists as to whether the licenses at issue were actually revoked. This contention is without merit.

First, defendants make no attempt to identify whether the new licenses (1) were issued on behalf of any class member, (2) for the use of any copyrighted work for which a license previously had been revoked, or (3) for use on any of the phonorecords to which the revocation applied. Only a new license for a copyrighted work used on the particular phonorecords to which the revocations applied would place liability for infringement based on the termination of the licenses at issue. Because the license procedures of Section 115 are compulsory, a copyright owner can prevent others from using its works only in connection with a particular phonorecord for which a license has been revoked. None of the new licenses issued to Pausa fall into this category.

Defendants also contend that plaintiffs' acceptance of payment on account after the December 24, 1984 notice of termination raises a question of fact as to infringement. However, defendants do not dispute that, although they made sporadic payments, they never complied with the royalty and accounting requirements of the statute. Moreover, defendants do not dispute that plaintiffs placed such payments in escrow and at all times continued to demand compliance with the statu-

tory provisions. Defendants submit no evidence that would even suggest plaintiffs intended to waive their rights to sue for infringement.

The undisputed evidence establishes that defendant Pausa, through its employees, failed to account for and pay royalties and continued to manufacture and distribute phonorecords embodying plaintiffs' work after receiving plaintiffs' notice of intent to terminate. Accordingly, as a matter of law, defendant Pausa knowingly and willfully infringed plaintiffs' copyrights.

B. Liability of Defendant Jack Newman

Plaintiffs argue that although Pausa was the compulsory licensee, its employee Jack Newman should be held jointly and severally liable for the infringing acts. According to Mr. Newman's deposition testimony, he was one of three executives who operated Pausa for its owner and sole shareholder, an Italian citizen who played no role in operating the company. Moreover, Mr. Newman testified that he alone was responsible for overseeing Pausa's compliance with its royalty obligations. Defendants make no attempt to refute this evidence.

It is well-settled that persons other than the compulsory licensee who contributed to the making and distribution of phonorecords after termination of the compulsory license may be held jointly and severally liable as infringers. 2 B. Nimmer, Nimmer on Copyright, § 8.04[J] (1981). Based on the undisputed evidence, the Court concludes that defendant Jack Newman is jointly and severally liable with defendant Pausa for the willful infringement of plaintiffs' copyrights.

II. Remedies

Section 115(c)(4) expressly provides that statutory damages are available as a remedy for infringement under the compulsory license provisions. 17 U.S.C. § 115(c)(4).

Section 504(c)(1) of the Act allows the copyright owner to elect to recover statutory damages in lieu of actual damages. Plaintiffs elect statutory damages and urge this Court to award the maximum for will-

ful infringement of $50,000.00 for each infringing act. 17 U.S.C. § 504(c)(2).

Plaintiffs bear the burden of proving willfulness for the purpose of increasing the maximum statutory damages from $10,000.00 to $50,000.00. Plaintiffs must show knowledge that the defendants' conduct constituted an act of infringement. Plaintiffs have established through Mr. Newman's testimony that defendants received the December 24, 1984 notice of termination, failed to account for and pay royalties, yet nevertheless continued to manufacture and distribute phonorecords. Defendants' only attempt to refute this evidence is a declaration by Mr. Newman that, "It was never my intent or the intent of anyone connected with Pausa Records to infringe upon the copyright of any of the publishers-principals of The Harry Fox Agency." However, defendants cannot raise a material issue of fact as to willfulness merely by submitting an affidavit contradicting the deposition testimony. Radobenko v. Automated Equipment Corp., 520 F.2d 540, 544 (9th Cir. 1975). The Court concludes that plaintiffs have met their burden of establishing willful infringement for purposes of raising the maximum statutory damages to $50,000.00.

Defendants also contend that they are entitled to a jury determination of the amount of statutory damages to be awarded. Although the statute does not speak directly to the issue of whether the judge or jury shall determine statutory damages, it provides that an award is to be in an amount "as the court considers just," and that "the court in its discretion may increase the award [and] . . . may reduce the award." 17 U.S.C. §§ 504(c)(1), (c)92). An award of statutory damages should be made in the exercise of the court's discretion. Similarly, it is for the court, not the jury, to determine whether defendants acted willfully for purposes of increasing the statutory maximum. 3 B. Nimmer, Nimmer on Copyrights § 14.04[B] (1981)

The Court cannot enter an award of statutory damages for each infringement at this time. The voluminous documentation supplied by plaintiffs borders on unmanageable for purposes of determining what copyrights were infringed, and when. Plaintiff must catalogue the in-

fringements occurring after December 24, 1984, in greater detail. Until the plaintiffs do so to the satisfaction of this Court, there will be no relief granted. The Court will also defer entering a permanent injunction until that time.

With regard to plaintiff's request for reasonable attorney's fees under 17 U.S.C. § 505, the documentation submitted by plaintiff is wholly inadequate in its lack of particularity and the request is denied.

CONCLUSION

Plaintiffs are entitled to summary judgment that defendants willfully infringed their copyrights. Plaintiffs who submit proof of copyright ownership are entitled to an award of statutory damages under 17 U.S.C. § 504(c)(2).

THEREFORE, IT IS HEREBY ORDERED that plaintiffs catalogue in detail each claimed infringement that occurred after December 24, 1984, by not later than March 14, 1988. Defendants shall have ten (10) days thereafter to file any objections to plaintiffs' list.

The matter shall stand submitted on the ordered filings. The Court will notify the parties of its determination by United States mail.

The Clerk shall send, by United States mail, a copy of this Memorandum of Decision and Order to counsel for the parties.

DATED: February 8, 1988.

/s/ Robert J. Kelleher
ROBERT J. KELLEHER
Senior Judge

Appendix C

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

PEER INTERNATIONAL CORP., on behalf of itself and all others similarly situated,	)	No. CV 85-8193-RJK (Px)
Plaintiffs,	)	MEMORANDUM OF DECISION AND ORDER
v.	)	
PAUSA RECORDS, INC., and JACK NEWMAN,	)	
Defendants.	)	

I. INTRODUCTION

This is a class action for copyright infringement. On February 8, 1988 the Court granted plaintiffs' motion for summary judgment, having found that defendants Pausa Records, Inc., and Jack Newman were jointly and severally liable for the willful infringement of plaintiffs' copyrights. The Court awarded plaintiffs statutory damages in the amount of $50,000 per infringement. Plaintiffs were ordered to submit proof of copyright ownership and to provide a detailed list of all claimed infringements that had occurred after December 24, 1984. Defendants were given an opportunity to object to plaintiffs' submission.

Plaintiffs have since filed their proofs of copyright ownership and their list of claimed infringements. Defendants have filed their objections to same.

II. DISCUSSION

Plaintiffs' list of infringements is composed of "Schedule A" and "Schedule B." Schedule A is a list of infringements occurring after December 24, 1984; Schedule B is a list of "other infringements." Plaintiffs have not explained what these other infringements consist of, when they occurred or how they differ from those listed in Schedule A. Without such information, the Court is unable to award plaintiffs statutory damages for the infringements listed in Schedule B.

Plaintiffs also claim multiple statutory damage awards for the infringement of a single composition. For example, plaintiffs list the work entitled "Peg O' My Heart" at least two separate times in Schedule A. However, plaintiffs have failed to set out why these infringements should constitute multiple rather than single infringements. There are a variety of factors courts look at in making such a determination; e.g., the amount of time between infringements, whether different joint-tortfeasors were involved, the method of defendant's operation and whether different portions of the work were used. See, M. Nimmer, Nimmer on Copyright § 154.32, at 688 (1976) Again, without support for plaintiffs' claim of multiple infringements, the Court can only enter a single damage award for each listed work.

Defendants have not made any particularized objections to plaintiffs' submissions. Rather, they have elected to make an overly broad and wholly inadequate challenge to plaintiffs' claim of copyright ownership. This challenge is without merit. Plaintiffs have submitted to defendants and to the Court hundreds of Certificates of Registration of a Claim to Copyright, as well as Assignments of Copyright, where appropriate. Yet defendants have failed to point out even one particular instance of an improper claim of ownership. In addition, defendants now claim that they retained distribution rights to certain of plaintiffs' works after December 1984. This claim is similarly without merit. The issue of defendants' right to distribute plaintiffs' works was necessarily resolved in plaintiffs' favor by the Court's order granting plaintiffs' summary judgment motion.

CONCLUSION

After consideration of the parties' submissions on the issue of damages, the Court is contemplating entering the following Order:

(1) That plaintiffs shall be awarded damages in the amount of four million (4,000,000) dollars.

(2) That defendants deliver to plaintiffs for destruction all copies of phonorecords or tapes embodying plaintiffs' works which are in either or both defendants' possession, custody or control, as well as all plates, molds, matrices, stampers, pressers, winders and other devices from which said infringing phonorecords were made, derived or used by defendants to infringe plaintiffs' respective copyrights.

(3) That defendants, their servants, agents, subsidiaries, divisions, affiliates, employees, successors and assigns be hereafter permanently enjoined from:

(a) infringing the copyrights of any and all plaintiffs' musical compositions in any manner whatsoever;

(b) making, manufacturing, using, distributing, selling or advertising the sale of phonorecords or tapes embodying plaintiffs' musical compositions; and

(c) causing or authorizing the making, manufacture, sale, distribution or advertising of the sale of phonorecords or tapes embodying plaintiffs' musical compositions.

THEREFORE, IT IS HEREBY ORDERED that the parties file their objections to this Memorandum of Decision and Order by no later than October 22, 1988. The Court will notify the parties of its final determination by United States mail.

The Clerk shall send, by United States mail, a copy of this Memorandum of Decision and Order to counsel for the parties.

DATED: October 12, 1988.

/s/ Robert J. Kelleher
ROBERT J. KELLEHER
Senior Judge

Appendix D

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

PEER INTERNATIONAL CORP., on behalf of itself and all others similarly situated,	)	No. CV 85-8193-RJK (Px)
Plaintiffs,	)	
	)	ORDER
PAUSA RECORDS, INC., and JACK NEWMAN,	)	
Defendants.	)	

On October 12, 1988, the Court issued its Memorandum of Decision and Order on the issue of damages and the parties were given until October 22, 1988 to file objections thereto. Plaintiffs have filed objections, defendants have not. After considering plaintiffs' filings, the Court has reached the following conclusions:

(1) Plaintiffs are not entitled to a multiple statutory damage award for the infringement of a single composition. The legislative history of 17 U.S.C. § 504(c) makes clear that only one statutory damage award is payable for each work, "no matter how many acts of infringement are involved in the action and regardless of whether the acts were separate, isolated or occurred in a related series." H.R. Rep. No. 1476, 94th Cong., 2d Sess. 162 (1976).

(2) Plaintiffs are not entitled to an award of statutory damages for the "other infringements" listed in Schedule B of Plaintiffs' List of Infringements. According to plaintiffs, these "other infringements" consist of defendants' failure to pay royalties before plaintiffs terminated their compulsory licenses. By plaintiffs own admission defen-

dants did not continue to sell, distribute or otherwise make use of the works listed on Schedule B after termination of the compulsory licenses. Failure to pay royalties does not constitute an act of infringement. 17 U.S.C. § 115(c)(4). Thus, plaintiffs are not entitled to an award of statutory damages for the works listed on Schedule B.

Therefore, it is hereby ORDERED:

(1) That plaintiffs shall be awarded damages in the amount of four million (4,000,000) dollars.

(2) That defendants deliver to plaintiffs for destruction all copies of phonorecords or tapes embodying plaintiffs' works which are in either or both defendants' possession, custody or control, as well as all plates, molds, matrices, stampers, pressers, winders and other devices from which said infringing phonorecords were made, derived or used by defendants to infringe plaintiffs' respective copyrights.

(3) That defendants, their servants, agents, subsidiaries, divisions, affiliates, employees, successors and assigns be hereafter permanently enjoined from:

(a) infringing the copyrights of any and all plaintiffs' musical compositions in any manner whatsoever;

(b) making, manufacturing, using, distributing, selling or advertising the sale of phonorecords or tapes embodying plaintiffs' musical compositions; and

(c) causing or authorizing the making, manufacture, sale, distribution or advertising of the sale of phonorecords or tapes embodying plaintiffs' musical compositions.

The Clerk shall send, by United States mail, a copy of this Order to counsel for the parties.

DATED: November 22, 1988.

/s/ Robert J. Kelleher
ROBERT J. KELLEHER
Senior Judge

Appendix E

FILED
OCT –4 1990
CLERK, U.S. COURT OF APPEALS

NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

PEER INTERNATIONAL CORPORATION,	)	
on behalf of itself and all others	)	Nos. 88–6752
similarly situated,	)	89–55068
Plaintiff–Appellee	)	
Cross–Appellant,	)	
v.	)	D.C. No.
PAUSA RECORDS, INC., and JACK	)	CV–85–8193–RJK
NEWMAN,	)	
Defendants–Appellants	)	ORDER
Cross–Appellees.	)	

Before: CANBY and LEAVY, Circuit Judges, and ORRICK, */ District Judge

The panel has voted to deny the petition for rehearing. Judges Canby and Leavy have voted to reject the suggestion for rehearing en banc, and Judge Orrick has so recommended.

The full court has been advised of the en banc suggestion and no judge of the court has requested a vote on it.

The petition for rehearing is DENIED and the suggestion for rehearing en banc is REJECTED.

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*/ Hon. William H. Orrick, Senior U.S. District Judge for the Northern District of California, sitting by designation.

Appendix F

List of Class Members

ABC Music Co.
ABKCO Music
Adam R. Levy & Father
Ahlert Burke Corporation
Almo Music
American Academy of Music
Amestoy Music
Amra Inc.
Anne Rachel Music
Antisia Music Inc.
Anton Publications
April Music Inc.
Arista Music Inc.
Arko Music Corp.
Atlantic Music Corp.
Barton Music Corp.
Beechwood Music Corp.
Bendig Music Corp.
Beth Dreyer
Bexhill Music Corp.
Bibo Music Publishers
Bienstock Publishing Co.
Big Seven Music Corp.
Black Bull Music Inc.
Blackwood Music
Blue Seas Music, Inc.
Bobette Music
Bodsey & Hawkes Inc.
Bourne Co.
Bregman, Vocco and Conn.
Brother Hubbard Music Co.
Burke & Van Heusen
CBS Feist Catalog Inc.
CBS Miller Catalog Inc.
CBS Robbins Catalog Inc.
CBS U Catalog Inc.
CBS Unart Catalog Inc.
Cahn Music Company
Cam-USA Inc.
Camex Music Inc.
Carmichael Music Publishing
Casserole Music Inc.
Cherio Corp.
Chappell & Co Inc.
Chilly Wind Music
Cireco Music
Coast Music
Colgems-EMI Music Inc.

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* This list was compiled from a computer print-out filed with the District Court in 1986 as an exhibit to petitioner's Motion for Class Certification. Publishers which subsequently elected to opt out of the class are not included.

Consolidated Music Publishers
Consul Music Corp.
Corcovaco Music Corp.
Cotillion Music Inc.
Criterion Music Corp.
Cromwell Music Inc.
David Benoit Music
Diplomat Music Corp.
Dola Music
Donaldson Publishing Co.
Doors Music Co.
Dorsey Brothers Music
Downtown Music Co
Duane Music Inc.
Duchess Music Corp.
The EMP Co.
Easy Landing Music
Easy Listening Music Corp.
Editora Musical Arlequin
Edward B. Marks Music Corp.
Edwin H. Morris & Co.
Encino Music
Eternity Music Co.
Famous Music Corp.
Fermata International
Fisher Music Corp.
Four Knights Music Co.
Four Score Music Corp.
Fox Fanfare Music Inc.
Fox Hollow Music
Frank Music Corp.
Fred Ahlert Music Corp.
GLS Kahn Music Co.
Glacys Music
Grantlin Music
Garden Bake Music
General Confusion Music
General Music
George Simon Music Co.
Gerry Mulligan Publishing
Gomace Music Inc.
Gus Kahn Music Company
Hallmark Music Company
Hampshire House
Handy Brothers
Hanover Music Corp.
Harrison Music Corp.
Harrisongs Ltd.
Harry Von Tilzer Music
Harwin Music Corp.
Henry Spitzer Music
Herald Square Music Company
Hollis Music Inc.
Hollywood Songs Inc.
Hoochie Coochie Music
Hub Music Company
Hubtones Music Company
Intersong-USA Inc.
Interworld Music Group
Ipanema Music Corp.
Irving Berlin Music
Irving Music Inc.
Ivan Mogull Music Corp.
J. Russell Robinson
Jac Music Co., Inc.
Janeiro Music Company
Janhall Music
Jay and Cee Music Corp.
Jewel Music Publishing
Jobete Music Company
Jodax Music

Johanan Vigoda Administration
Jonware Music Corp.
Kramer-Whitney Inc.
Lament Music Publishing
Leeds Music Corp.
Legation Music Corp.
Leo Feist Inc.
Lewis Music Publishing
Limerick Music Corp.
Ludlow Music Inc.
MC Konk Music
MCA Music
MJQ Music Inc.
MPL Communications Inc.
MYCENAE Music Co.
Maraville Music Corp.
Margenia Music
Marissa Music Co.
Marke Music Publishing
Marvin Music Co.
Maxey Music Co.
Melcoy-Lane Publications
Melody Lane Publications
Melody Trails Inc.
Michael Goldsen Inc.
Miller Music Corp.
Mills Music Inc.
Mississippi MLD Music Co
Morley Music Co. Inc.
Munchkin Music Co.
Musical Comedy Productions
New World Music Corp.
Ninth Music
Nom Music Inc.
Northern Songs Ltd
Notable Music Co.
Objective Music Co.
Octave Music Publishing
Orpheum Music Co
Paramount Music Co.
Patramani Music
Peer International Corp.
Peso Music
Pencilmark Music Inc.
PIC Corp.
Planetary Music
Plume Tunes
Pondwater Music
Portable Music Co.
Prestige Music
Quicksand Music Co.
RYTVOC Inc.
Ray Brown Music
Reganesque Music
Regent Music Corp.
Rightsong Music Inc.
Robbins Music Corp.
Rocky Mountain Natinal
Rosemeadow Publishing Co
S.D.R.M.
SLS Music Co.
Sands Music Corp.
Santa Monica Music Corp.
Saturday Music Inc.
Scarsdale Music Corp.
Screen Gems-EMI Music
Seasons Four Music Corp.
Shapiro Bernstein & Co.
Sherwin Music Publishing
Siquomo Publishing Corp.
Six Continents Music

Skyforest Music Co Inc.
Skyview Music Corp.
Slow Dancing Music
Southern Music
Stephen Ballentine Music
Stone Agate Music
Styne & Cahn Music Co.
Swiftwater Music
Sydney R. Smith
TB Harms Company
Taggie Music Co.
Tempo Music Inc.
Thelonious Music
Thursday Music Corp.
TIMO Co Music
Tobago Music Company
Tree Publishing Co.
Twentieth-Century-Fox Music
Unichappell Music
Unart Music Corp.
Unit Core Corp.
United Artists Music
Upam Music Co.
Vernon Music Corp.
Vogue Music
WB Music Corp.
Wallet Music
Walt Disney Music Co.
Warner Bros. Music
Warner-Tamerlane Publishing
Warock Corporation
Webster Music Corp.
Weird Willie Music
Wells Music Inc.
Whale Music Co.
Whiting Music Corp.
William Joel D/B/A Impul
Williamson Music Inc.
Workers Union Music
World Music Inc.
World Song Publishing
Ytnop Music
Zconga Music

Appendix G

List of Class Members Which Documented Claims*

ABC Music Co.
Adam R. Levy & Father Enterprises
Almo Music Corp.
American Academy of Music Inc.
Anne Rachel Music
Atlantic Music Corporation
Bendig Music Corp.
Big Seven Music Corp.
Blue Seas Music, Inc.
Bourne Co.
Burke & Van Heusen
Bregman, Vocco & Conn. Inc.
Cahn Music Company
Casserole Music Inc.
Chappell & Co., Inc.
Colgems-EMI Music Inc.
Cotillion Music Inc.
Criterion Music Corporation
Doors Music Company
Dorsey Brothers Music Inc.
Duchess Music Corporation
EMI Feist Catalog Inc. (CBS Feist Catalog Inc.)
EMI Robbins Catalog Inc. (CBS Robbins Catalog Inc.)
EMI U. Catalog Inc. (CBS U Catalog Inc.)
Famous Music Corporation
Four Knights Music Co.

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*/ This list is based on a filing with the District Court in 1988, updated by information provided to petitioner's counsel by The Harry Fox Agency, Inc. (the agent for the publisher - class members). In some cases, according to the Fox records, class members were acquired by other companies. In those cases the list shows the name of the acquiring entity with the former entity as listed on the District Court filing in parentheses. Petitioner does not have information as to whether the acquiring entitiy succeeded to the claim of the acquired entity.

Fox Fanfare Music Inc.
Frank Music Corp.
Gerry Mulligan Publishing Co., Inc.
Hallmark Music Company
Hanover Music Corporation
Harrisongs Ltd.
Harrison Music Corp.
Harry Von Tilzer Music Publishing Co.
Hoochie Coochi Music
Hub Music Company
Hubtones Music Company
Ipanema Music Corp.
Irving Music Inc.
Jac Music Co., Inc.
Janhall Music
Jewel Music Publishing Co., Inc.
Jobete Music Co., Inc.
Johanan Vogoda Administrator
Jodax Music a Division of GOPAM Enterprises Inc.
Jonware Music Corp.
Kramer-Whitney Inc.
Leo Feist Inc.
Lewis Music Publishing Co.
Limerick Music Corporation
Margenia Music (Division of GOPAM Enterprises Inc.)
Marke Music Publishing Co., Inc.
MCA Music, Publishing, a Division of MCA Inc.
Michael H. Goldsen Inc.
Mississippi Mud Music Co.
MJO Music Inc.
Mills Music, Inc.
Munchkin Music Co.
Mycenae Music Co.
New World Music Corp.
Paramount Music Corporation
Peer International Corporation

PIC Corporation
Planetary Music Publishing Co.
Portable Music Company, Inc.
Quicksand Music Co.
Regent Music Corporation
Rightsong Music Inc.
Robbins Music Corporation
Rosemeadow Publishing Co.
Rytvoc Inc.
Sanga Music Inc.
Scarsdale Music Corp.
Screen Gems-EMI Music Inc.
Shapiro Bernstein & Co., Inc.
Skyforest Music Co. Inc.
Slow Dancing Music
Southern Music Publishing Co., Inc.
Stephen Ballantine Music
Stone Agate Music
Taggie Music Co.
The EMP
Thursday Music Corporation
Tree Publishing Co., Inc.
Twentieth Century Fox Music
Unart Music Corporation
Unichappell Music Inc.
Upam Music Co.
Vogue Music
Walt Disney Music Company
Warner Bros. Music
WB Music Corp.
Warner-Tamerlane Publishing
Webster Music Corp.
Whiting Music Corp.
Worlds Music Inc.

Appendix H

COPYRIGHT ACT OF 1976

§ 115. Scope of exclusive rights in nondramatic musical works: Compulsory license for making and distributing phonorecords

In the case of nondramatic musical works, the exclusive rights provided by clauses (1) and (3) of section 106, to make and to distribute phonorecords of such works, are subject to compulsory licensing under the conditions specified by this section.

(a) Availability and Scope of Compulsory License.--

(1) When phonorecords of a nondramatic musical work have been distributed to the public in the United States under the authority of the copyright owner, any other person may, by complying with the provisions of this section, obtain a compulsory license to make and distribute phonorecords of the work. A person may obtain a compulsory license only if his or her primary purpose in making phonorecords is to distribute them to the public for private use. A person may not obtain a compulsory license for use of the work in the making of phonorecords duplicating a sound recording fixed by another, unless: (i) such sound recording was fixed lawfully; and (ii) the making of the phonorecords was authorized by the owner of copyright in the sound recording or, if the sound recording was fixed before February 15, 1972, by any person who fixed the sound recording pursuant to an express license from the owner of the copyright in the musical work or pursuant to a valid compulsory license for use of such work in a sound recording.

(2) A compulsory license includes the privilege of making a musical arrangement of the work to the extent necessary to conform it to the style or manner of interpretation of the performance involved, but the arrangement shall not change the basic melody or fundamental character of the work, and shall not be subject to protection as a de-

rivative work under this title, except with the express consent of the copyright owner.

(b) Notice of Intention to Obtain Compulsory License.--

(1) Any person who wishes to obtain a compulsory license under this section shall, before or within thirty days after making, and before distributing any phonorecords of the work, serve notice of intention to do so on the copyright owner. If the registration or other public records of the Copyright Office do not identify the copyright owner and include an address at which notice can be served, it shall be sufficient to file the notice of intention in the Copyright Office. The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.

(2) Failure to serve or file the notice required by clause (1) forecloses the possibility of a compulsory license and, in the absence of a negotiated license, renders the making and distribution of phonorecords actionable as acts of infringement under section 501 and fully subject to the remedies provided by sections 502 through 506 and 509.

(c) Royalty Payable under Compulsory License.--

(1) To be entitled to receive royalties under a compulsory license, the copyright owner must be identified in the registration or other public records of the Copyright Office. The owner is entitled to royalties for phonorecords made and distributed after being so identified, but is not entitled to recover for any phonorecords previously made and distributed.

(2) Except as provied by clause (1), the royalty under a compulsory license shall be payable for every phonorecord made and distributed in accordance with the license. For this purpose, a phonorecord is considered "distributed" if the person exercising the compulsory license has voluntarily and permanently parted with its

possession. With respect to each work embodied in the phonorecord, the royalty shall be either two and three-fourths cents, or one-half of one cent per minute of playing time or fraction thereof, whichever amount is larger.

(3) A compulsory license under this section includes the right of the maker of a phonorecord of a nondramatic musical work under subsection (a)(1) to distribute or authorize distribution of such phonorecord by rental, lease, or lending (or by acts or practices in the nature of rental, lease, or lending). In addition to any royalty payable under clause (2) and chapter 8 of this title, a royalty shall be payable by the compulsory licensee for every act of distribution of a phonorecord by or in the nature of rental, lease, or lending, by or under the authority of the compulsory licensee. With respect to each nondramatic musical work embodied in the phonorecord, the royalty shall be a proportion of the revenue received by the compulsory licensee from every such act of distribution of the phonorecord under this clause equal to the proportion of the revenue received by the compulsory licensee from distribution of the phonorecord under clause (2) that is payable by a compulsory licensee under that clause and under chapter 8. The Register of Copyrights shall issue regulations to carry out the purpose of this clause.

(4) Royalty payments shall be made on or before the twentieth day of each month and shall include all royalties for the month next preceding. Each monthly payment shall be made under oath and shall comply with requirements that the Register of Copyrights shall prescribe by regulation. The Register shall also prescribe regulations under which detailed cumulative annual statements of account, certified by a certified public accountant, shall be filed for every compulsory license under this section. The regulations covering both the monthly and the annual statements of account shall prescribe the form, content, and manner of certification with respect to the number of records made and the number of records distributed.

(5) If the copyright owner does not receive the monthly payment and the monthly and annual statements of account when due, the

owner may give written notice to the licensee that, unless the default is remedied within thirty days from the date of the notice, the compulsory license will be automatically terminated. Such termination renders either the making or the distribution, or both, of all phonorecords for which the royalty has not been paid, actionable as acts of infringement under section 501 and fully subject to the remedies provided by sections 502 through 506 and 509.

Appendix I

THE HARRY FOX AGENCY, INC. 110 EAST 59TH STREET NEW YORK, NEW YORK 10022

Refer to provisions of this agreement reproduced on reverse side varying terms of compulsory license provision of Copyright Act. The following is supplementary thereto:

We acknowledge receipt of a copy hereof:

Very truly yours,
THE HARRY FOX AGENCY, INC.

_____ _____

You have advised us, in our capacity as Agent for the Publisher(s) referred to in (B) supra, that you wish to obtain a compulsory license to make and to distribute phonorecords of the copyrighted work referred to in (A) supra, under the compulsory license provision of Section 115 of the Copyright Act.

Upon your doing so, you shall have all the rights which are granted to, and all the obligations which are imposed upon, users of said copyrighted work under the compulsory license provision of the Copyright Act, after phonorecords of the copyrighted work have been distributed to the public in the United States under the authority of the copyright owner by another person, except that with respect to phonorecords thereof made and distributed hereunder:

1. You shall pay royalties and account to us as Agent for and on behalf of said Publisher(s) quarterly, within forty-five days after the end of each calendar quarter, on the basis of phonorecords made and distributed;

2. For such phonorecords made and distributed, the royalty shall be the statutory rate in effect at the time the phonorecord is made, except as otherwise stated in (C) supra;

3. This compulsory license covers and is limited to one particular recording of said copyrighted work as performed by the artist and on the phonorecord number identified in (C) supra; and this compulsory license does not supersede nor in any way affect any prior agreements now in effect respecting phonorecords of said copyrighted work;

4. In the event you fail to account to us and pay royalties as herein provided for, said Publisher(s) or his Agent may give written notice to you that, unless the default is remedied within 30 days from the date of the notice, this compulsory license will be automatically terminated. Such termination shall render either the making or the distri-

bution, or both, of all phonorecords for which royalties have not been paid, actionable as acts of infringement under, and fully subject to the remedies provided by, the Copyright Act;

5. You need not serve or file the notice of intention to obtain a compulsory license required by the Copyright Act;

6. Additional provisions are reproduced under (D) supra.

Appendix J

Copy #29653

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

GERSHWIN PUBLISHING CORPORATION, et al.,	:	
Plaintiffs,	:	
–against–	:	63 Civ. 768
CHARLIE PARKER RECORD , CORPORATION	:	MEMORANDUM
Defendant.	:	

McLEAN, D. J.

This is an action under Section 1(e) of the Copyright Act (17 U.S.C. § 1(e)), by fourteen music publishers, the proprietors of copyrights in a number of musical compositions, for statutory royalties allegedly due them for phonograph records of those compositions manufactured by defendant. Plaintiffs move for partial summary judgment on the issue of liability and for an order appointing a Special Master to take evidence as to the amount due.

Although defendant's answer, by denials of knowledge and information, puts in issue many of the allegations of the complaint, the moving papers set forth in support of those allegations complete documentary evidence which defendant in no way controverts. There is no dispute as to any material fact as far as the question of liability is concerned.

Defendant makes three contentions in opposition to this motion, none of which has any substance. First, defendant contends that because each plaintiff entered into an agreement with defendant which permitted defendant to pay royalties quarterly rather than monthly, and which relieved defendant of the obligation to file the notice of intent to manufacture required by the Copyright Act, plaintiffs may no longer maintain an action to enforce the Copyright Act. Defendant claims that each plaintiff is limited to suing for breach of the agreement, a suit over which, in the absence of diversity of citizenship, this court would not have jurisdiction.

Most of the plaintiffs executed identical agreements with defendant which, far from disclaiming the protection of the Copyright Act, expressly recited that defendant wished "to use said copyrighted work under the compulsory license provision of Section 1(e) of the Copyright Act," and provided further that defendant should have "the rights which are granted to, and all the obligations which are imposed upon, users of said copyrighted work under the compulsory license provision of the Copyright Act . . . ." An agreement substantially identical with these was construed by Judge Weinfeld in Joy Music, Inc. v. Seeco Records, Inc., 166 F. Supp. 549 (S.D.N.Y. 1958), a case in which defendant made the same argument as is made by defendant here. Judge Weinfeld denied defendant's motion to dismiss, holding that the relatively minor variations from the provisions of the Copyright Act were not sufficient to make the agreement a private licensing agreement enforceable only in the state courts. That decision is controlling here as far as these agreements are concerned.

Plaintiff Gershwin Publishing Corporation entered into agreements with defendant which are in slightly different form but which are comparable to the others in substance. The Gershwin agreements also provide that the license to use the copyrighted musical compositions in the manufacture of phonograph records was granted "in accordance with the provisions of Section 1(e) of the Copyright Law . . . ." The rule announced in Joy Music, Inc. v. Seeco Records, Inc., supra, applies here as well.

Secondly, defendant suggests that it is not a manufacturer of records "within the purview" of Section 1(e). Defendant gives no intelligible explanation of what it means by this, and the assertion is at complete variance with defendant's answer to the complaint, which expressly admits that defendant made use of the copyrighted musical compositions and "manufactured, sold and reproduced the same mechanically."

Finally, defendant asserts that in January 1963, defendant tendered to plaintiffs a statement of the "accounts due" and offered to pay what was due, but that plaintiffs refused to accept the accounts or the payment. Plaintiffs contend that the "accounts" referred to were inadequate and incomplete in many respects. There is no need to determine the facts on this subject at this stage, for on no theory can this be a defense to partial summary judgment. Concededly, defendant has paid nothing to plaintiffs. Obviously, something is due. How much is due will be determined by the proof submitted to the Special Master, who can then determine in the light of that proof whether the so–called accounts submitted by defendant were correct or not.

Plaintiffs' motion for partial summary judgment is granted. Decision is reserved at this time as to whether plaintiffs are entitled to recover any sum in addition to the royalties as provided in Section 1(e). This question will be decided upon the coming in of the Special Master's report.

Settle order on notice.

Dated: February 11, 1964

EDWARD C. McLEAN
U. S. D. J.

MOTION FILED
FEB 1 199

No. 90-1039

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1990

PEER INTERNATIONAL CORPORATION,
On Behalf Of Itself And All Others Similarly Situated,

Petitioner,

v.

PAUSA RECORDS, INC. and JACK NEWMAN,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

MOTION FOR LEAVE TO FILE BRIEF *AMICUS CURIAE* AND BRIEF *AMICUS CURIAE* OF NATIONAL MUSIC PUBLISHERS' ASSOCIATION, INC., IN SUPPORT OF PETITIONER

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MOTION FOR LEAVE TO FILE BRIEF *AMICUS CURIAE*

National Music Publishers' Association, Inc. ("NMPA") hereby respectfully moves for leave to file the attached brief *amicus curiae* in this case in support of the Petition for Certiorari filed by petitioner Peer International Corporation. The consent of the attorney for the petitioner has been obtained. The attorney for the respondents has represented that while he would like to consent to the filing of this brief, he cannot, because there is no person available to authorize him to act on behalf of the respondents. 1/

NMPA is the principal trade association representing music publishers in the United States. In addition, NMPA is the corporate parent of The Harry Fox Agency, Inc. ("Fox"), which serves as agent for more than 7800 music publishers, and by proxy tens of thousands of American songwriters and composers, for the purpose of issuing and enforcing licenses for the making and distribution of recordings of copyrighted musical compositions.

The Ninth Circuit's decision holds that music publishers, by using the industry's standard form of license which varies certain terms of the statutory compulsory license for the convenience of record companies, forfeit the statutory infringement remedies otherwise available for breaches of the compulsory license. The issue presented by this case is one which vitally affects NMPA's members and the publisher clients of Fox, since the decision casts doubt on the enforceability of approximately two million licenses using the industry standard form. NMPA asks to file this brief to provide the Court with additional information regarding the effect of the Ninth Circuit's decision on the music industry, and particularly on the ability of music publishers to collect royalties for the recording of their copyrighted compositions.

1/ Counsel for the respondents has represented that respondent Jack Newman has died, and that he knows of no living officer or representative of the other respondent, Pausa Records, Inc., whose chief executive officer was Mr. Newman.

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INTEREST OF *AMICUS CURIAE*

National Music Publishers' Association, Inc. ("NMPA") is the principal trade association representing music publishers in the United States.[1/] Its 388 members own copyrights in musical compositions granted to them by songwriters and composers, and also administer additional copyrights owned by the creators. These members, and their subsidiaries and affiliates, own or administer at least 60% of the copyrights granted by the United States in musical compositions.

NMPA members are involved in all phases of the promotion and exploitation of copyrighted songs, including discovery of new songwriters, adaptation of musical compositions, and promotion and negotiation of licenses with record companies and other users. They also play an important role in the creative process. The copyrights administered by NMPA members include compositions in all musical styles, ranging from classical to jazz to rap. Royalties collected by NMPA members are nearly always shared with the composers or songwriters who created the work.

A wholly owned subsidiary of NMPA, The Harry Fox Agency, Inc. ("Fox"), is agent for the class members in this action. Fox licenses musical compositions for use in recordings on behalf of more than 7800 music publishers, including NMPA members, and provides accounting and other services in connection with these licenses, including periodic audits of record companies to monitor the payment of royalties by record companies to music publishers. It thus plays a major role in assisting music publishers to enforce their copyrights.

This case is of vital interest to the publishers represented by NMPA and Fox. It involves issues common to all music publishers, and will directly affect the enforceability of approximately two million currently outstanding licenses issued by music publishers. The

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1/ There are two other music publishers' trade associations in the United States: The Music Publishers' Association of the United States, whose members publish educational and concert music, and the Church Music Publishers' Association.

licenses potentially at risk constitute the vast majority of currently outstanding licenses for the use of copyrighted musical compositions in recordings.

The case also threatens to transform future business practices in a way which will make it more difficult to utilize the compulsory license, thus disadvantaging both music publishers and record companies.

NMPA supports the grant of the petition for certiorari for the reasons stated in the petition. It submits this brief in support to emphasize the importance of the issue to the music publishing industry, and describe the impact of the Ninth Circuit's decision on that industry.

SUMMARY OF ARGUMENT

The Ninth Circuit's decision will significantly undercut the ability of music publishers to enforce their copyrights. It does this by depriving publishers of the powerful copyright infringement remedies established by Congress for breaches of the compulsory license when publishers and record companies agree to vary the terms of the compulsory license. These copyright infringement remedies have long deterred record companies from defaulting in their obligations to pay royalties, and encouraged the settlement of royalty disputes when defaults are discovered.

Approximately two million currently outstanding licenses utilize forms, like those involved in this case, which vary the terms of the compulsory license. These licenses were issued on the assumption that they were compulsory licenses, enforceable by the copyright infringement remedies. This assumption has been supported by longstanding judicial precedent. These licenses constitute the vast majority of licenses to record musical compositions issued to record companies over the past several decades, as these forms have been routinely used by most music publishers.

The Ninth Circuit's decision threatens to undermine the enforceability of these licenses, and to reshape future business practices in

the music industry. NMPA urges this Court to grant certiorari to review that decision.

ARGUMENT

The compulsory license provision of the Copyright Act (17 U.S.C. § 115) establishes the basic framework under which composers, lyricists and their publishers do business with the record companies which exploit their works. While a publisher can agree to license a previously recorded composition to a record company, it cannot practically refuse to do so, for if it does, the record company can nevertheless use the composition by complying with the terms of the compulsory license provision of the Act.

Rather than resist the inevitable, and force record companies to furnish the formal notice required by section 115, most music publishers routinely agree to issue licenses when they receive a request indicating that a record company desires to distribute a recording of the composition. These licenses specifically preserve and incorporate the terms of the compulsory license, while at the same time making certain accommodations for the convenience of the record company. In addition to relieving the record company from serving the formal notice, the industry standard license agreement also varies the terms of the statutory compulsory license by slightly relaxing the accounting period, from monthly to quarterly. In some cases, publishers are also willing to reduce the royalty rate below the statutory rate. These licenses are often referred to as written variations of the compulsory license.

While publishers generally accede to these requests, they insist that record companies acknowledge by signing the form of license (1) that the licenses they obtain are compulsory licenses, and (2) that if the record company defaults, the publisher is entitled to the copyright infringement remedies available under section 115. That section provides that if a record company defaults in the payment of royalties, and fails to remedy that default within the 30 day period provided by law, the publisher can recover either actual damages and profits, or statu-

tory damages ranging from $500 to $100,000 per infringement.[3/] The publisher is also entitled to recover attorneys' fees and costs, and obtain injunctive relief. *See* 17 U.S.C. §§ 115, 501–505.

Prior to the Ninth Circuit's decision, an unbroken line of court decisions, beginning with Judge Weinfeld's decision in *Joy Music, Inc.* v. *Seeco Records, Inc.*, 166 F. Supp. 549 (S.D.N.Y. 1958), held that minor variations in the terms of the compulsory license did not transform the license into a private agreement and deprive publishers of their right to the statutory remedies available for failures to comply with the terms of the compulsory license.[4/]

NMPA's subsidiary, Fox, is responsible for licensing musical compositions that account for approximately 72% of the recordings distributed in the United States.[5/] Fox also has the principal role in monitoring and enforcing compliance with these licenses. Almost all of these licenses are written variations of the compulsory license on the industry standard form. They are virtually identical to the licenses which are the subject of this case.

Fox's records show that it issued 957,412 such licenses during the period 1972–1990. A total of approximately two million such licenses have been issued, constituting the vast majority of currently outstanding licenses for the recording of copyrighted musical compositions. These licenses were issued with the understanding, in light of their express language, the unanimous judicial precedent, and Congressional awareness of the practice,[6/] that they could be enforced, if nec-

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3/ Under 17 U.S.C. § 115(c)(2), "termination renders either the making or the distribution . . . of all phonorecords for which the royalty has not been paid, actionable as acts of infringement . . . ."

4/ The authorities which have universally endorsed these principles are discussed in the Petition for a Writ of Certiorari filed by Peer International Corporation, at 9–13.

5/ Most of the remaining licenses are issued "in-house," by publishing companies to affiliated record companies. Fewer than 1% of licenses issued are obtained by resort to the formal statutory procedures.

6/ See the Petition for a Writ of Certiorari filed by Peer International Corporation, at 13 n.6, 15 n.9.

essary, by resort to the statutory remedies. Without these remedies, the publishers' ability to enforce their copyrights would be severely undermined.

The task of enforcing these licenses, and ensuring that record companies comply with their terms, is an enormous one. Fox conducts audits on all major record companies every two years. As of December 31, 1990, approximately 150 such audits were in progress. These audits frequently uncover defaults in the payment of royalties. In 1990 alone, approximately $25 million in unpaid and delinquent royalties was collected pursuant to Fox's Audit Recovery Program.

Without the powerful copyright infringement remedies of the Copyright Act, the task of collecting these deficiencies would become overwhelming. These remedies are a vital incentive encouraging the payment of royalties and settlement of royalty disputes arising out of audits, without litigation. As it is, music publishers represented by Fox are forced to send notices of termination corresponding to over 2000 copyrighted compositions each year to enforce royalty obligations. Most disputes are resolved before litigation, and Fox publisher principals bring an average of two lawsuits each year to enforce these obligations. Both numbers, and particularly the number of litigated cases, would increase dramatically if the statutory remedies were unavailable. In addition to burdening the court system, this result would particularly disadvantage smaller publishers and songwriters, whose royalties on a work might not justify the litigation costs necessary to collect those royalties.

It is also reasonable to anticipate that the Ninth Circuit's decision will significantly alter future business practices in the music industry, burdening the industry and impeding musical creativity. The decision subjects music publishers to a difficult dilemma. They can either (1) insist on strict compliance with the terms of the compulsory license, thereby preserving their right to copyright infringement remedies, but making the compulsory license more difficult to use and possibly deterring usage of their copyrighted works, or (2) agree to the standard mutually convenient variations, which, at least in the Ninth

Circuit, will result in a waiver of their right to recover copyright infringement damages for a record company's failure to pay royalties and cure that default within the 30-day notice period.

The threat to musical creativity here is real. One record company has stated that if publishers were to insist on payment on statutory terms, an "intolerable burden" would be put on record companies. *Copyright Law Revision: Hearings on S. 597 Before the Subcomm. on Patents, Trademarks and Copyrights of the Senate Comm. on the Judiciary*, 90th Cong., 1st Sess. 526 (1967) (Statement of Isabella Marks, Assistant Secretary, Decca Records). Publishers, on the other hand, will not lightly forego the statutory remedies which make their licenses practically enforceable. The decision thus threatens to deter usage of copyrighted musical compositions and impede musical creativity.

There is no reason to subject publishers to this dilemma. Congress was well aware of industry practice when it passed the Copyright Act of 1976, and the unanimous and heretofore unchallenged judicial precedent sensibly recognized that it made no sense to deny music industry participants a certain degree of flexibility in fashioning their relationships. The Ninth Circuit's decision departs from this long-established precedent, and threatens immediate and substantial harm to an important industry. We therefore urge the Court to take review and reverse the decision of the Ninth Circuit.

CONCLUSION

For the foregoing reasons, NMPA respectfully requests that the petition for certiorari be granted.

Dated February 1991

Respectfully submitted,

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